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RR RUEHLN RUEHVK RUEHYG
DE RUEHTA #1869/01 2690227
ZNR UUUUU ZZH
R 250227Z SEP 08
FM AMEMBASSY ASTANA
TO RUEHC/SECSTATE WASHDC 3395
INFO RUCPCIM/CIMS NTDB WASHDC
RUCPDOG/DEPT OF COMMERCE WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUCNCIS/CIS COLLECTIVE 0648
RUEHAK/AMEMBASSY ANKARA 2183
RUEHBUL/AMEMBASSY KABUL 0419
RUEHNE/AMEMBASSY NEW DELHI 0518
RUEHAST/USOFFICE ALMATY 0753

UNCLAS SECTION 01 OF 02 ASTANA 001869

DEPT FOR SCA/CEN (O'MARA)
DEPT PASS TO OPIC - BALLINGER
DEPT PASS TO TDA FOR STEIN, EXIM FOR GLAZER
DEPT PASS TO AID - EE-PHILLIPS/RUSHING
TREASURY FOR OASIA/VELTRI
USDOC FOR 4231/ITA/MAC/MLONDON, 4201/BISNIS
USDOC FOR 6110/ITA/TD/BI/RHALPERN
ANKARA FOR CFC

SIPDIS

E.O. 12958: N/A
TAGS: [ECON](#) [EIND](#) [ENRG](#) [EPET](#) [EFIN](#) [KTDB](#) [KZ](#)
SUBJECT: KAZAKHSTAN ECONOMIC AND ENERGY UPDATE, AUGUST 31 -
SEPTEMBER 13, 2008

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11. Summary: This information is drawn primarily from the
Kazakhstani local press, and has not been verified for accuracy.

- Kazyna Upgrades Legal Status
- Samara-Uralsk Fiber Optic Line
- German Technical Assistance to Help Labor Ministry
- August Inflation
- Kazakhstani Investment in Georgia
- Kazakhstan Wants To Build Power Plant in Ukraine
- KazMunayGas and Gazprom Neft In Joint Deal
- Kazakhstan and China To Build Hydro Plant
- Oil and Gas Discovery in West Kazakhstan

Kazyna Upgrades Legal Status

12. The Financial Supervision Agency (FSA) has awarded the Kazyna Sustainable Development Fund status as a "financial agency." According to the Law on Securities, a financial agency is a bank or organization with the right to engage in limited forms of banking, including the right to borrow from both domestic and international capital markets to invest in priority development projects. This new status will also allow Kazyna to take out loans from the national budget. As a newly named financial agency, Kazyna now possess the necessary legal basis to be one of the primary implementers of Kazakhstani regional investment policy.

Samara-Uralsk Fiber Optic Line

13. Golden Telecom, which is part of Russia's VypelCom group, has recently established a fiber optic line connection from Samara (Russia) to Uralsk in northwest Kazakhstan. According to Golden Telecom representatives, the new fiber optic line will expand the IT backbone of KazakhTelecom, thereby accelerating Kazakhstan's integration into the international telecommunications market, and significantly upgrade regional telecommunication services.

German Technical Assistance to Help Labor Ministry

¶4. The Ministry of Labor and Social Protection has signed a memorandum on cooperation with the German Society for Technical Cooperation (GTZ). The purpose is to create a competitive local labor force in Kazakhstan. The partners hope to develop mechanisms that better identify the needs of the local labor force, as well as the impact of migrant labor.

August Inflation

¶5. According to the Kazakhstan Statistics Agency, prices in August 2008 were 20.1% higher than in August 2007. Food prices posted the highest gains, rising 27.9% year-on-year. Service prices grew 17.4% year-on-year, and prices for non-food goods rose by a more modest rate of 11.4% year-on-year. However, month-on-month inflation slowed somewhat, registering 0.8% for August, in comparison with 0.9% for July and 1.2% for June.

Kazakhstani Investment in Georgia

¶6. According to Renaissance Capital, Kazakhstani investments in Georgia total approximately \$2 billion, including about \$800 million invested by BTA bank and \$500 million by KazMunayGas.

Kazakhstan Wants To Build Power Plant in Ukraine

¶7. According to Kazakhstan's Ambassador to Ukraine, Amangeldy Zhumabayev, Kazakhstan is negotiating the construction of a power plant in Uzhgorod, Ukraine, which would utilize approximately 1 billion cubic meters of natural gas from Kazakhstan annually.

KazMunayGas and Gasprom Neft in Joint Deal

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¶8. KazMunayGas and Russia's Gasprom Neft intend to sign a framework agreement to jointly participate in oil exploration, production, processing, and sale projects in Kazakhstan, Russia, and Europe.

Kazakhstan and China To Build Hydro Plant

¶9. The State Asset Management Holding Company "Samruk" has announced a project to construct a 300 megawatt hydropower plant in Almaty oblast that will come on-stream in 2012. The Kazakhstan Development Bank and the State Development Bank of China will finance the project. Eighty percent of the project's labor will come from Kazakhstan, 20 percent from China.

Oil and Gas Discovery in West Kazakhstan

¶10. A large oil and gas deposit has been found near Petrov village in West Kazakhstan oblast (region). According to experts, this is one of the largest deposits discovered in Kazakhstan in the past 15 years. The quality of oil in the deposit is comparable to that of Brent oil. Commercial oil extraction is scheduled to start in 2010.

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